

Message Text

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65

ORIGIN EB-07

INFO OCT-01 EA-07 ISO-00 XMB-02 CAB-02 CIAE-00 COME-00

DODE-00 DOTE-00 INR-07 NSAE-00 FAA-00 INRE-00 SSO-00

L-03 SS-15 H-02 NEA-10 OPIC-03 AID-05 TRSE-00 /064 R

DRAFTED BY EB/OA/AVP:SCKEITER:JO

APPROVED BY EB/OA/AVP:AJWHITE

EB/ODF - RASWART

EXIM - RCRAFTON

CAB - JSHORNEMAN

EA/IMS - ARDORNHEIM

EB/AN - WBCOBB

FAA/AIA - WHAMM

CAB - CBMALOY

----- 016176

O 052237Z NOV 75

FM SECSTATE WASHDC

TO AMEMBASSY JAKARTA IMMEDIATE

C O N F I D E N T I A L STATE 262458

E.O. 11652: GDS

TAGS: EAIR, EFIN, ID

SUBJECT: BAYU AIRLINES RIPOFF ON EXIM-FINANCED
SATELLITE GROUND STATION

REF: JAKARTA 12985 AND 13441

SUMMARY: ZANTOP APPEARS QUALIFIED TO CONDUCT CHARTER.
HOWEVER, CAB APPROVAL REQUIRED AND UNLIKELY FOR PROPOSED
CHARTER, AND EXIM WOULD LOOK CLOSELY AT DEAL. WAGER
CONTENTIONS ESSENTIALLY UNFOUNDED. EMBASSY SHOULD
CONTINUE DISCOURAGE ATTEMPTS TO ACCOMMODATE BAYU. END
SUMMARY.

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1. ZANTOP TRACK RECORD AS PROVIDED BY FAA:

(A) ZANTOP IS FAA-CERTIFIED COMMERCIAL OPERATOR OPERATING UNDER FEDERAL AVIATION REGULATION 121.

(B) ZANTOP IS AUTHORIZED OPERATE ONLY LOCKHEED 188 AND DC-6 AIRCRAFT WORLDWIDE.

(C) ZANTOP IS NOT REPEAT NOT A SUPPLEMENTAL CARRIER.

(D) FAA GUAM OFFICIAL'S STATEMENT APPEARS INAPPROPRIATE.

ZANTOP HAS SATISFACTORY SAFETY RECORD AND FAA CONSIDERS THAT ZANTOP'S FINANCIAL PICTURE WOULD NOT PRECLUDE THEIR ABILITY TO OPERATE SATISFACTORILY.

(E) VIOLATIONS CHARGED AGAINST ZANTOP WERE NOT SERIOUS SAFETY INFRACTIONS AND FAA CONSIDERS ZANTOP QUALIFIED TO PERFORM FLIGHTS IN SOUTH EAST ASIA. IT THEREFORE INTERPOSES NO OBJECTION TO THEIR PARTICIPATION IN OPERATIONS IN THAT AREA.

2. ZANTOP DOES REQUIRE SPECIFIC CHARTER AUTHORITY FROM CAB. CAB STAFF WOULD RECOMMEND DISAPPROVAL OF DEAL DESCRIBED REFTELS AND, AS NOTED STATE 213922, CAB HAS DENIED SEVERAL RECENT CHARTER REQUESTS ON SIMILAR GROUNDS. ON SEPT 24, CAB ISSUED ORDER REQUIRING IRAN AIR TO APPLY FOR INDIVIDUAL CHARTER AUTHORITY EVEN FOR ON-ROUTE CHARTERS BECAUSE OF THE BOARD'S OBJECTION TO "NO-OBJECTION FEES" AND "SUBCHARTER" REQUIREMENTS. (PERTINENT DOCUMENTS BEING POUCHED.)

3. ONLY EXCEPTION TO REQUIREMENT FOR SPECIFIC OFF-ROUTE CHARTER AUTHORITY IS THAT SCHEDULED U.S. AIRLINES MAY PERFORM OFF-ROUTE CHARTERS UP TO SPECIFIC MILEAGE LIMIT WITHOUT SUCH AUTHORITY. CAB COULD REMOVE EVEN THIS EXCEPTION FOR FLIGHTS TO AND FROM INDONESIA IF IT APPEARED DESIRABLE.

4. TO EXTENT THAT A BONA FIDE U.S. CARRIER IS INVOLVED, EXIM ORDINARILY CONSIDERS FEES SIMPLY COST OF DOING CONFIDENTIAL

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BUSINESS. IN CURRENT INDONESIAN SITUATION, IT WOULD FEEL COMPELLED TO INVESTIGATE AMOUNT OF THE FEE AND WHAT IS BEING PROVIDED IN RETURN.

5. WAGER CONTENTION RE EXIM IS SIMPLY WRONG. IN INDONESIAN CASE, EXIM PARTICIPATION IS 35 PERCENT OF A GIVEN PACKAGE. AS INDICATED STATE 213922, ALL OF THAT PACKAGE MUST TRAVEL BY U.S. FLAG CARRIER, NOT JUST 35

PERCENT. EXIM IS OF COURSE NOT CONCERNED ABOUT TRANSPORTATION OF ITEMS OUTSIDE THE PACKAGE. (INCIDENTALLY, CORETT LEFT EXIM ABOUT SIX MONTHS AGO.)

6. USG IS TAKING STRONG POSITION ON THIS GENERAL ISSUE AND EMBASSY SHOULD CONTINUE DISCOURAGE INDONESIAN EFFORTS TO CUT BAYU AIR IN BY FORCE. TRUST ABOVE CONSTITUTES EFFECTIVE EGG-REMOVER. KISSINGER

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